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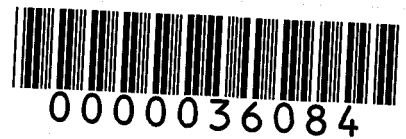
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ARIZONA CORPORATION COMMISSION

May 14, 2002

E-00000A-02-0051

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E-00000A-01-0630

E-01933A-02-0069

E-01933A-98-0471

Arizona Corporation Commission

DOCKETED

MAY 15 2002

Commissioner Jim Irvin
Commissioner Marc Spitzer
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

DOCKETED BY	<i>[Signature]</i>
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All Parties in ACC Docket No. E-00000A-02-0051
Generic Proceedings for Electric Restructuring

Re: Potential Market Manipulation of Electric Prices in the West, and Commission Oversight of Reliability of Electric Service in Arizona

Dear Commissioners Irvin and Spitzer and the
Parties in Docket No. E-00000A-02-0051:

As we all must be aware from the trade press, recent disclosures from major energy providers concerning market practices and their alleged impact on prices in California during its energy crisis in 2000 – 2001 are topics of inquiry in the US Senate and House, as well as in California. In addition, the Federal Energy Regulatory Commission is currently conducting a fact-finding investigation of potential manipulation of electric and natural gas prices in the West in FERC Docket No. PA02-2-000. In March 2002, FERC requested information from power sellers concerning sellers' energy transactions in and out of the California wholesale electric market in 2000 and 2001. Enron Corporation's responses to the request for information revealed internal memoranda describing questionable and possibly illegal trading and scheduling strategies, that California officials are reported to claim played a large role in creating California's energy crisis.

On May 8, 2002, FERC issued a data request in Docket PA02-2-000, including requests for admissions and production of documents, to all sellers of wholesale electricity and/or ancillary services to the California Independent System Operator and/or the California Power Exchange during the years 2000-2001. The stated purpose of FERC's data request is to determine whether other sellers engaged in similar energy trading and scheduling tactics and practices as Enron had done.

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FERC's investigation of potential energy market manipulation is directly related to issues on market power and abuse raised in our Commission's generic proceedings concerning electric restructuring in ACC Docket No. E-00000A-02-0051. I am determined to prevent electric restructuring in Arizona from falling prey to the alleged market power abuses that have been linked to restructuring in California. It is important for the ACC to monitor FERC's investigation into potential market manipulation in the West. Therefore, I am requesting that ACC Staff actively monitor FERC's investigation of potential energy market manipulation in the West and make timely summary filings in the ACC generic electric restructuring docket as to the status of FERC's investigation.

If a party in ACC Docket No. E-00000A-02-0051 (or its parent corporation, or any of its other affiliates or subsidiaries) provides responses/admissions to FERC's May 8, 2002 data request in FERC Docket No. PA02-2-000, I am requesting that the party (or its parent, affiliate or subsidiary) file a notice that it has responded to FERC's data request and provide a summary of its response/admissions. Of course, it is expected that FERC's fact-finding investigation should lead also to specific recommendations by Staff and the other parties in the ACC generic restructuring docket to prohibit gaming of the market by energy sellers to the detriment of Arizona customers.

In a related matter, California has recently enacted two pieces of legislation targeting the reliability of electric power in California. California has passed legislation that when effective, will establish the California Electric Generation Facilities Standards Committee which will adopt standards for maintenance and operation of electric generation facilities located in California. (Senate Bill 39 of the Second Extraordinary Session of 2001-02.) There is also new legislation authorizing the existing California Electricity Oversight Board to investigate the California electric wholesale market to ensure availability of electric transmission and generation during peak periods. (Assembly Bill 28 of the 2001-02 Second Extraordinary Session.) It appears this legislation taken as a whole will not only enhance reliability, but also limit opportunities for gaming of the California power market through monitoring, reporting and enforcement of standards by the California Public Utilities Commission.

I am requesting that Staff and parties include in their filings in the generic electric restructuring docket, analysis of the California legislation and any similar legislation in other states. In addition, Staff and the other parties should make specific recommendations for Commission action and /or legislation targeting reliability through oversight of maintenance and operation of generation facilities, and limiting wholesale market power abuses.

Sincerely,



William A. Mundell
Chairman